



## Mergers and Acquisitions Hinge on Due Diligence

By Joe Nachbin, The Alta Group

Is your organization looking to join the current merger and acquisition frenzy taking place in our industry? If so, you are not alone. The number of M&As has at least doubled in the asset finance sector during the past two years.

*The due diligence process often acts as a catalyst to capitalize on great opportunities, rather than lose them.*

Much of this activity has been driven by investors attracted to our mature industry, its steady revenue streams and solid returns.

The trend also has been fueled by mid-sized leasing companies that have maximized sustainable organic growth and seek to expand through acquisition. They are especially attracted to niche players that help strengthen their positions in specific asset markets.

There is a direct correlation between a successful merger or acquisition and the due diligence of the parties involved.

Evaluating every facet of an operation is critical and many buyers often recognize perceived risks are greater than real risks.

### Due Diligence as Catalyst

More importantly, the due diligence process often acts as a catalyst to capitalize on great opportunities, rather than lose them.

A thorough analysis and understanding of the cultures, business models, products, business practices and management systems often identifies the true value of the organization and acceptable risks – and those that are not.

In most cases, suitors keep the seller's management team in place, at least for a while, so it is important a careful evaluation of the management team also takes place to ensure it is compatible.

To facilitate the due diligence process, suitors often engage third-parties with expertise and an objective eye to help evaluate opportunities. One can compare it to buying or selling a house. A realtor understands what buyers are looking for and how sellers need to prepare their homes.

The professional due diligence services that The Alta Group provides within the global equipment leasing and finance industry leads to successful outcomes for all parties involved in mergers and acquisitions.

### What Buyers Want

Most of our work in this practice area to date has been on behalf of buyers, including hedge funds, private equity firms and larger leasing and finance companies, or banks – all seeking to diversify

Conversely, our due diligence experience helps sellers recognize what buyers really want and what steps must be taken to make their companies attractive.

Sellers too often ignore detrimental issues that potential suitors will undoubtedly identify. Unfortunately, surprises can lead to a delay or termination of a potential deal – wasting everyone's time and energy.

To avoid this, sellers need to be proactive. If issues are uncovered that need to be addressed, we work with clients to resolve them, or at least show a buyer how they will be handled to their satisfaction.

More often than not, defusing deal breakers with such an upfront approach works. A bond of trust is formed and positive outcomes materialize.

In the end, the goal of due diligence is to close any gap between the seller's perceived value of the asset finance company and the real value from the buyer's perspective.

The Alta Group's objective expertise in this area, based on several decades of experience in working with buyers and sellers, can help the due diligence process go smoothly for everyone involved.

This allows an organization to stay focused on the ultimate business goal of meeting its customers' need for innovative lease products and services.



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